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11

12 **UNITED STATES DISTRICT COURT**
13 **NORTHERN DISTRICT OF CALIFORNIA**
14 **San Jose Division**
15

16 ROBERT L. GARBER, on behalf of himself
and all others similarly situated,

17 Plaintiff,
18

19 v.

20 JUNIPER NETWORKS, INC., MARCEL
GANI, WILLIAM R. HEARST III, SCOTT
21 KRIENS, STRATTON SCLAVOS,
PRADEEP SINDHU and WILLIAM R.
22 STENSRUD,

23 Defendants.
24

No. C-06-4327 MJJ

CLASS ACTION

[CORRECTED] COMPLAINT

JURY TRIAL DEMANDED

25 Robert L. Garber ("Plaintiff"), individually and on behalf of all other persons and entities
26 who purchased or otherwise acquired securities issued by Juniper Networks, Inc. ("Juniper" or
27 the "Company") between September 1, 2003 and May 22, 2006, by his undersigned attorneys,
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1 for his Class Action Complaint ("Complaint"), alleges the following upon personal knowledge as
2 to himself and his own acts, and upon information and belief as to all other matters. Plaintiff's
3 information and belief is based on his investigation (made by and through his attorneys), which
4 investigation included, among other things, a review and analysis of: (i) public documents
5 pertaining to the defendants; (ii) Juniper's filings with the Securities and Exchange Commission
6 ("SEC"); (iii) press releases published by Juniper; (iv) analyst reports concerning the Company;
7 and (v) newspaper and magazine articles (and other media coverage) regarding Juniper and its
8 business. Many of the facts supporting the allegations contained herein are known only to the
9 defendants or are exclusively within their custody and/or control. Plaintiff believes that further
10 substantial evidentiary support will exist for the allegations in this Complaint after a reasonable
11 opportunity for discovery.
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13
14 **I. SUMMARY OF THE ACTION**

15 1. This is securities class action brought on behalf of all purchasers of Juniper's
16 publicly traded securities between September 1, 2003 and May 22, 2006, inclusive (the "Class
17 Period"), which securities were artificially inflated as a result of violations of the federal
18 securities laws arising out of defendants' (i) dissemination of false and misleading statements
19 concerning the Company's financial results; and (ii) intentional and/or reckless disregard of basic
20 accounting principles.
21

22 2. On May 22, 2006, Juniper announced that it had received a request for
23 information from the U.S. Attorney for the Eastern District of New York related to its stock
24 option grant practices. At that time, Juniper stated that it was working actively to respond to the
25 request, and further noted that its own Audit Committee was reviewing the Company's option
26 grants, assisted by independent counsel and advisers. This announcement came on the heels of
27 numerous press reports that had been published since March 2006 to the effect that management
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1 at many companies likely had “backdated” the grant date of stock options to senior management
2 personnel in order to increase the potential value of those options to the recipients (backdating
3 refers to the practice by which firms choose an option grant date in the past with a lower stock
4 price). Indeed, two separate reports released in May 2006 identified Juniper as one company
5 whose pattern of stock option grants to senior executives was suspicious.
6

7 3. On the revelations of May 2006 regarding the Company’s stock option grant
8 practices, the price of Juniper stock plummeted -- from \$18.45 per share at the close of trading
9 on April 28, 2006 to \$14.62 per share during the morning hours of May 22, 2006. This
10 represented a loss in market capitalization of over \$2.16 billion.

11 4. Backdating stock options, in effect, provides extra compensation to the grant
12 recipients while concealing the transfer of wealth from the shareholders. Arthur Levitt, former
13 Chairman of the SEC, recently described backdating in the most blunt terms: “Backdating
14 ‘represents the ultimate in greed,’ . . . ‘It is stealing, in effect. It is ripping off shareholders in an
15 unconscionable way.’” Charles Forelle and James Bandler, *Five More Companies Show*
16 *Questionable Options Pattern*, THE WALL STREET JOURNAL, May 22, 2006, at A1.
17

18 5. The practice of option backdating also has important accounting ramifications.
19 Under accounting rules in effect through December 31, 2005 (APB No. 25, “Accounting for
20 Stock Issued to Employees” (“APB No. 25”)), companies were allowed to expense options
21 according to the intrinsic value method, whereby the expense equaled the difference between the
22 fair value of the underlying stock and the exercise price of the option. This expense is obviously
23 zero for option grants where the exercise price equals the prevailing market price.
24

25 6. Such is not the case when an option grant is “in the money” (priced below a
26 stock’s fair market value at the time of the award). Options priced at below a stock’s fair market
27 value when they are awarded results in an executive receiving an instant paper gain. Under APB
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1 No. 25, that "paper gain" is the equivalent of additional compensation to the executive that must
2 be treated as a cost to the corporation. Since it appears that Juniper did not treat as an expense
3 the amount by which the market price of the Company's stock on the actual date the options
4 were issued exceeded the exercise price of the options, the Company overstated its reported
5 profits.

6
7 7. Apart from the foregoing, it is readily apparent that the defendants deliberately
8 concealed from the investing public that the Company had manipulated stock option grant dates.
9 While the defendants maintained publicly that stock options to Juniper employees always were
10 issued at the fair market value of the Company's stock on the date of the grant, in practice, the
11 defendants repeatedly manipulated option grant dates to coincide with particularly low share
12 prices (so as to benefit option recipients).

13
14 8. Plaintiff has brought this class action on behalf of similarly situated Juniper
15 shareholders to seek redress for the damages caused by the defendants' unscrupulous and
16 manipulative conduct.

17 **II. JURISDICTION AND VENUE**

18 9. This action arises under Sections 10(b), and 20(a) of the Exchange Act of 1934
19 ("Exchange Act"), 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated there under, 17
20 C.F.R. §240.10b-5.

21
22 10. This Court has subject-matter jurisdiction over this action pursuant to Section 27
23 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §1331.

24 11. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28
25 U.S.C. §1391. Many of the acts and practices complained of herein occurred in substantial part
26 in this District. Juniper maintains its headquarters in this District at 1194 North Matilda Avenue,
27 Sunnyvale, California 94089.
28

12. In connection with the acts, transactions and conduct alleged herein, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of a national securities exchange and market.

III. THE PARTIES

13. Plaintiff Robert L. Garber purchased the publicly traded securities of Juniper at artificially inflated prices during the Class Period as set forth in the accompanying certification (incorporated by reference herein).

14. Defendant Juniper is a Delaware corporation with its principal executive offices located at 1194 North Matilda Avenue, Sunnyvale, California 94089. According to its public filings, Juniper is a leading provider of purpose-built Internet infrastructure solutions that meet the scalability, performance, density and compatibility requirements of rapidly evolving, optically-enabled Internet Protocol (IP) networks. Juniper's common stock trades on NASDAQ under the ticker symbol "JNPR."

15. Defendant Scott Kriens ("Kriens") has served as Chief Executive Officer and Chairman of the Board of Directors of Juniper since October 1996. Defendant Kriens participated in the issuance of, signed, and/or certified as accurate, the Company's false and misleading SEC filings during the Class Period. Because of Defendant Kriens' position, he knew the adverse non-public information about the business of Juniper as well as its finances and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management (and/or Board of Directors') meetings and via reports and other information provided to him in connection therewith.

1 16. Defendant Pradeep Sindhu ("Sindhu") co-founded Juniper in February 1996 and
2 served as Chief Executive Officer and Chairman of the Board of Directors until September 1996.
3 Since that time, Dr. Sindhu has served as the Vice Chairman of the Board of Directors and
4 Juniper's Chief Technical Officer. Defendant Sindhu participated in the issuance of and/or
5 signed the Company's false and misleading SEC filings during the Class Period. Because of
6 Defendant Sindhu's position, he knew the adverse non-public information about the business of
7 Juniper as well as its finances and present and future business prospects, via access to internal
8 corporate documents, conversations and connections with other corporate officers and
9 employees, attendance at management (and/or Board of Directors') meetings and via reports and
10 other information provided to him in connection therewith.
11

12 17. Defendant Marcel Gani ("Gani") joined Juniper as Chief Financial Officer in
13 February 1997 and became Executive Vice President and Chief Financial Officer of the
14 Company in July 2002. In late 2004, the Company announced that Mr. Gani would assume the
15 position of Chief of Staff. Defendant Gani still holds that position at the present time.
16 Defendant Gani participated in the issuance of, signed, and/or certified as accurate, certain of the
17 Company's false and misleading SEC filings during the Class Period. Because of Defendant
18 Gani's position, he knew the adverse non-public information about the business of Juniper as
19 well as its finances and present and future business prospects, via access to internal corporate
20 documents, conversations and connections with other corporate officers and employees,
21 attendance at management meetings and via reports and other information provided to him in
22 connection therewith.
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25 18. By certifying (where required by the Sarbanes-Oxley Act of 2002) various of the
26 Company's SEC filings, Defendants Kriens, and Gani, represented that (i) those filings
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1 accurately portrayed the Company's financial condition; and (ii) each had inspected the
2 Company's disclosure and internal financial reporting controls and found them to be effective.

3 19. Defendant William R. Hearst III ("Hearst") has served as a director of Juniper
4 since 1996 and was a member of Juniper's Audit Committee (the "Audit Committee") at all
5 times during the Class Period. Defendant Hearst signed certain of the Company's false and
6 misleading SEC filings identified in this Complaint.

7
8 20. Defendant Stratton Sclavos ("Sclavos") has served as a director of Juniper since
9 2000. He served as a member of the Company's Audit Committee during at least a portion of
10 2003. Defendant Sclavos signed certain of the Company's false and misleading SEC filings
11 identified in this Complaint.

12
13 21. As noted above, certain of the above-referenced defendants served as members of
14 the Audit Committee of the Juniper Board between 2003 and 2006. The Company's Audit
15 Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity
16 of Juniper's financial statements; the Company's compliance with legal and regulatory
17 requirements; the qualifications and independence of the independent auditors retained by the
18 Company; the performance of Juniper's internal audit function and independent auditors; and
19 risk assessment and risk management. More specifically, the Audit Committee's charter states
20 that the responsibilities of the Audit Committee "shall include," *inter alia*:

21
22 a. Overseeing the internal audit function and reviewing, on a continuing
23 basis, the adequacy of the Company's system of internal controls, including meeting periodically
24 with the Company's management and the independent auditors to review the adequacy of such
25 controls and to review before release the disclosure regarding such system of internal controls
26 required under SEC rules to be contained in the Company's periodic filings and the attestations
27 or reports by the independent auditors relating to such disclosure;
28

1 b. Reviewing and discussing with management and the Company's
2 independent auditors the annual audited financial statements and quarterly unaudited financial
3 statements, including the Company's disclosures under "Management's Discussion and Analysis
4 of Financial Condition and Results of Operations," prior to filing the Company's Annual Report
5 on Form 10-K and Quarterly Reports on Form 10-Q, respectively, with the SEC;

6 c. Conducting a post-audit review of the financial statements and audit
7 findings, including any significant suggestions for improvements provided to management by the
8 independent auditors; and

9 d. Reviewing, approving and monitoring the Company's Worldwide Code of
10 Business Conduct and Ethics.

11 22. Accordingly, as members of the Audit Committee during all (or a portion) of the
12 period between 2003 to 2006, Defendant Hearst and Defendant Sclavos both had the
13 responsibility to, among other things, monitor the Company's financial reporting processes and
14 internal control systems and review the Company's financial statements prior to their public
15 dissemination. Defendant Hearst and Defendant Sclavos knew that Juniper's financial
16 statements would be subsequently referred to and incorporated within the Company's public
17 filings. Consequently, these individuals had an obligation to ensure that those financial
18 statements were not false and misleading. Nevertheless, as detailed herein, as a result of
19 Defendants Hearst and Sclavos' intentional or reckless disregard of their duties, Juniper
20 published financial statements that were materially false and misleading.

21 23. Defendant William R. Stensrud has served as a director of Juniper since 1996. He
22 served on the Board's Compensation Committee throughout the Class Period. Defendant
23 Stensrud signed certain of the Company's false and misleading SEC filings identified in this
24 Complaint.

1 24. Collectively, defendants Kriens, Sindhu, Gani, Hearst, Sclavos and Stensrud are
2 referred to herein as the "Individual Defendants." The Individual Defendants and Juniper are
3 collectively referred to herein as the "Defendants."

4 **IV. CONTROL PERSON ALLEGATIONS/GROUP PLEADING**

5 25. By virtue of the Individual Defendants' positions within the Company, they had
6 access to undisclosed adverse information about its business, operations, operational trends,
7 finances, and present and future business prospects. The Individual Defendants would ascertain
8 such information through Juniper's internal corporate documents (including the Company's
9 operating plans, budgets and forecasts and reports of actual operations compared thereto),
10 conversations and connections with other corporate officers and employees, conversations and
11 connections with vendors and customers, attendance at sales, management, and Board of
12 Directors' meetings, including committees thereof, and through reports and other information
13 provided to them in connection with their roles and duties as Juniper officers and directors.
14

15 26. It is appropriate to treat the Individual Defendants collectively as a group for
16 pleading purposes and to presume that the materially false, misleading and incomplete
17 information conveyed in the Company's public filings and press releases as alleged herein was
18 the result of the collective actions of the Individual Defendants identified above. The Individual
19 Defendants, by virtue of their high-level positions within the Company, directly participated in
20 the management of the Company, were directly involved in the day-to-day operations of the
21 Company at the highest levels and were privy to confidential proprietary information concerning
22 the Company and its business, operations, prospects, growth, finances, and financial condition,
23 as alleged herein.
24

25 27. The Individual Defendants were involved in drafting, producing, reviewing,
26 approving and/or disseminating the materially false and misleading statements and information
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1 alleged herein, were aware of or recklessly disregarded the fact that materially false and
2 misleading statements were being issued regarding the Company, and approved or ratified these
3 statements, in violation of the federal securities laws.

4 28. As officers and controlling persons of a publicly-held company whose common
5 stock was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on
6 NASDAQ, and governed by the provisions of the federal securities laws, the Individual
7 Defendants each had a duty to promptly disseminate accurate and truthful information with
8 respect to the Company's financial condition and performance, growth, operations, financial
9 statements, business, markets, management, earnings and present and future business prospects,
10 and to correct any previously issued statements that had become materially misleading or untrue,
11 so that the market price of the Company's publicly traded securities would be based upon
12 truthful and accurate information. The Individual Defendants' material misrepresentations and
13 omissions during the Class Period violated these specific requirements and obligations.

14 29. The Individual Defendants, by virtue of their positions of control and authority as
15 officers and/or directors of the Company, were able to and did control the content of the various
16 SEC filings, press releases and other public statements pertaining to the Company during the
17 Class Period. The Individual Defendants were provided with copies of the documents alleged
18 herein to be misleading prior to or shortly after their issuance and/or had the ability and/or
19 opportunity to prevent their issuance or cause them to be corrected. Accordingly, they are
20 responsible for the accuracy of the public reports and releases detailed herein.

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24 **V. CLASS ACTION ALLEGATIONS**

25 30. Plaintiff brings this action as a class action pursuant to Federal Rules of Civil
26 Procedure 23(a) and 23(b)(3) on behalf of a class (the "Class") of all persons who purchased or
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1 otherwise acquired Juniper securities during the Class Period, and who were damaged thereby.
2 The Class Period is from September 1, 2003 through May 22, 2006.

3 31. Excluded from the Class are the Defendants herein, members of the immediate
4 families of the Individual Defendants, any parent, subsidiary, affiliate, officer, or director of
5 Defendant Juniper, any entity in which any excluded person has a controlling interest, and the
6 legal representatives, heirs, successors and assigns of any excluded person.
7

8 32. The members of the Class are so numerous that joinder of all members is
9 impracticable. While the exact number of members of the Class is unknown to Plaintiff at the
10 present time and can only be ascertained from books and records maintained by Juniper and/or
11 its agent(s), Plaintiff believes that there are tens of thousands of members of the Class located
12 throughout the United States. As of May 22, 2006, Juniper had issued and outstanding over
13 565.75 million shares of common stock. Throughout the Class Period, Juniper common stock
14 was actively traded on NASDAQ, with more than 6.56 billion shares traded during the Class
15 Period.
16

17 33. Plaintiff will fairly and adequately represent and protect the interests of the
18 members of the Class. Plaintiff has retained extremely competent counsel experienced in class
19 and securities litigation and intends to prosecute this action vigorously. Plaintiff is a member of
20 the Class and does not have interests antagonistic to, or in conflict with, the other members of the
21 Class.
22

23 34. Plaintiff's claims are typical of the claims of the members of the Class. Plaintiff
24 and all members of the Class purchased Juniper securities at artificially inflated prices and have
25 sustained damages arising out of the same wrongful course of conduct.
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1 35. Common questions of law and fact exist as to all members of the Class and
2 predominate over any questions solely affecting individual members. Among the questions of
3 law and fact common to the Class are:

4 a. Whether the federal securities laws were violated by the Defendants' acts
5 and omissions as alleged herein;

6 b. Whether the Defendants participated in and pursued the common course of
7 conduct and fraudulent scheme complained of herein;

8 c. Whether the Defendants had knowledge of (or were reckless with respect
9 to) the improper activities described herein;

10 d. Whether the statements disseminated to the investing public, including
11 investors in Juniper, during the Class Period omitted and/or misrepresented material facts about
12 Juniper's true financial condition, business operations and future business prospects;

13 e. Whether Defendants acted knowingly or recklessly in omitting to state
14 and/or misrepresenting material facts;

15 f. Whether the market price of Juniper's securities during the Class Period
16 was artificially inflated due to the non-disclosures and/or misrepresentations complained of
17 herein; and

18 g. Whether Plaintiff and the other members of the Class have sustained
19 damages and, if so, the appropriate measure thereof.

20 36. A class action is superior to other available methods for the fair and efficient
21 adjudication of this controversy since, among other things, joinder of all members of the Class is
22 impracticable. Furthermore, as the damages suffered by many individual Class members may be
23 relatively small, the expense and burden of individual litigation make it virtually impossible for
24 Class members individually to seek redress for the wrongful conduct alleged. Plaintiff does not
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1 foresee any difficulty in the management of this litigation that would preclude its maintenance as
2 a class action.

3 37. The names and addresses of the record owners of the shares of Juniper common
4 stock and other securities purchased during the Class Period are available from Juniper and/or its
5 transfer agent(s). Notice can be provided to persons who purchased or otherwise acquired
6 Juniper common stock by a combination of published notice and first class mail, using
7 techniques and forms of notice similar to those customarily used in other class actions arising
8 under the federal securities laws.
9

10 **VI. OVERVIEW OF JUNIPER'S FRAUDULENT SCHEME**

11 38. Each of the Defendants is liable as a participant in a scheme, plan and course of
12 conduct that operated as a fraud and deceit on Class Period purchasers of the Company's
13 securities. Throughout the Class Period, Defendants disseminated materially false and
14 misleading statements and concealed material adverse facts about Juniper's operations and
15 financial condition. Among other fraudulent conduct, the Defendants reported inflated revenue
16 figures for Juniper by failing to account properly for stock options made to Juniper employees
17 (including senior management personnel).
18

19 39. The Company has publicly boasted of its adoption of (and adherence to) a strict
20 ethical code. Indeed, in its Form 10-K dated March 7, 2006, Juniper noted that it had "adopted a
21 Worldwide Code of Business Conduct and Ethics that applies to our principal executive officer
22 and all other employees." That code apparently was designed to deter wrongdoing and to
23 promote: (i) honest and ethical conduct; (ii) full, fair, accurate, timely and understandable
24 disclosure in reports and documents that the Company files with or submits to the SEC and in
25 other public communications made by the Company; and (iii) compliance with applicable
26 governmental laws, rules and regulations. The code specifically provides that:
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1 As a public company, the Company, through its employees, directors, contractors
2 and agents of Company entities worldwide, has a responsibility to provide full,
3 fair, accurate, timely and understandable disclosure of its business and financial
4 condition in the periodic reports we are required to file with the United States
5 Securities and Exchange Commission. As a result, the integrity of our financial
information is paramount. The Company's financial information guides the
decisions of our Board of Directors and is relied upon by our stockholders and the
financial markets.

6 However, notwithstanding its alleged adherence to strict ethical standards, throughout the Class
7 Period, the Defendants deceived the investing public by, among other things, issuing false and
8 misleading statements regarding the Company's stock option programs and through the
9 intentional and/or reckless disregard of accounting principles applicable to stock option grants
10 made to employees.
11

12 40. By way of background, for at least the past decade, stock options, which allow
13 option holders to acquire shares of a company's stock on a future date at a price determined by
14 the plan terms (the "exercise price") -- most commonly the closing price for the stock on the day
15 of or the day before the grant -- have been a popular form of executive compensation, supposedly
16 because they help align executive interests with those of the shareholders. As *The Wall Street*
17 *Journal* recently explained:
18

19 Stock options give recipients a right to buy company stock at a set price, called
20 the exercise price or strike price. The right usually doesn't vest for a year or
21 more, but then it continues for several years. The exercise price is usually the
stock's 4 p.m. price the day before . . .

22 * * *

23 A key purpose of stock options is to give recipients an incentive to improve their
24 employer's performance, including its stock price. No stock gain, no profit on the
options.

25 Charles Forelle and James Bandler, *The Perfect Payday – Some CEOs Reap Millions By Landing*
26 *Stock Options When They Are Most Valuable; Luck – Or Something Else?*, THE WALL STREET
27 JOURNAL, March 18, 2006 at A1.
28

1 41. Unfortunately, in practice, the granting of stock options to senior management
2 frequently did not have the desired effect. For example, options sometimes caused managers to
3 look for ways to drive up stock prices in the short term through acquisitions, asset sales, or even
4 fraud, rather than by effectively managing existing businesses for long term success, as many
5 shareholders would prefer. Although compensation experts continue to debate whether or not
6 these risks outweigh the incentives stock options are intended to provide, a second, potentially
7 larger, problem is beginning to surface: stock option plans are becoming just another place to
8 hide lavish and unprecedented executive compensation.

9
10 42. More specifically, a series of recent reports in *The Wall Street Journal* (and in
11 other publications) concluded that among several firms, a pattern of sharp stock appreciation
12 after grant dates was indicative of backdating. In the past several months, dozens of companies
13 have been questioned by federal investigators (including the SEC and the U.S. Attorneys'
14 Offices for the Southern and Eastern Districts of New York) about whether backdated option
15 awards have (i) provided undisclosed benefits to senior executives and (ii) resulted in the filing
16 of false financial statements.

17
18 43. As noted above, backdating refers to the practice by which firms choose an option
19 grant date in the past with a lower stock price. The lower a stock option exercise price is, the
20 more money the recipient can potentially make in the future by exercising the options. Thus,
21 which day's price the options carry can make a big difference. By way of example, consider an
22 executive who receives 100,000 options on a day when a company's stock is at \$30 per share.
23 Exercising them after the stock has reached \$50 per share would bring a profit of \$20 times
24 100,000, or \$2 million. However, if the grant date was a month earlier and the stock then was at
25 \$20 per share, the options would bring in an extra \$1 million.
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1 44. As set forth above, a key purpose of stock options is to give recipients an
2 incentive to improve their employer's performance, including its stock price. Backdating the
3 option grants so that they carry a lower price would run counter to this goal, by giving the
4 recipient a paper gain right from the start. Moreover, that instant paper gain is the equivalent of
5 extra pay and, under Generally Accepted Accounting Principles ("GAAP") in effect until
6 December 31, 2005 (APB No. 25), constitutes a cost to the company. As such, a firm that failed
7 to include such a cost in its books will have overstated its profits, and might need to restate past
8 financial results.

10 45. The SEC requires that publicly traded companies present their financial
11 statements in accordance with GAAP. *See* 17 C.F.R. §210.4-01(a)(1). GAAP consists of those
12 principles recognized by the accounting profession as the conventions, rules, and procedures
13 necessary to define accepted accounting practices at the particular time. Regulation S-X, to
14 which the Company is subject as a registrant under the Exchange Act, 17 C.F.R §210.4-01(a)(1),
15 provides that financial statements filed with the SEC that are not prepared in compliance with
16 GAAP are presumed to be misleading and inaccurate.

18 46. The SEC has adopted the view that backdating violates securities laws and
19 constitutes financial fraud when firms fail to record as compensation expense the amount by
20 which the option grants were actually "in the money" at the time that the grant decision was
21 made. For instance, in a complaint filed by the SEC against Peregrine Systems, Inc. in June of
22 2003, the SEC alleged that Peregrine's option plan administrator used a "look back" process
23 between quarterly Board meetings to identify the day with the lowest stock price over the
24 interval and then declared this date to be the grant date. The SEC views this as a form of
25 financial fraud because it resulted in the understatement of compensation expenses. Specifically,
26 quoting from the SEC complaint: "[u]nder the applicable accounting rules, any positive
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1 difference in the stock price between the exercise price and that on the measurement date . . . had
2 to be accounted for as compensation expense. By failing to record the compensation expense,
3 Peregrine understated its expenses by approximately \$90 million.”

4 47. In addition, backdating stock option grant dates also has significant federal
5 income tax implications. By way of background, favorable tax treatment was one reason that
6 options gained popularity in the 1990s as a way to compensate employees, particularly
7 executives. 28 U.S.C. §162(m), Section 162(m) of the Internal Revenue Code (“Section
8 162(m)”), provides that compensation in excess of \$1 million per year (including gains on stock
9 options) paid to a corporation’s five most highly-compensated officers is tax deductible only if
10 certain conditions are met. One of those conditions is that the compensation must be payable
11 solely on account of the attainment of one or more performance goals. Tax experts have opined
12 that options backdated to a day with a lower market price do not qualify for a Section 162(m)
13 deduction (since such grants are not deemed performance-based compensation). As such,
14 companies with backdated options now face the prospect of paying out significant sums to revise
15 prior years’ tax returns.

16 48. A May 2006 study of 100 companies by the Rockville, Maryland-based Center
17 for Financial Research and Analysis (“CFRA”) said that Juniper was among 17 companies in
18 that group which showed a “high-risk profile” for possible back-dating of options. Marc Siegel,
19 director of research at CFRA, said the firm’s clients, which include investment managers, have
20 been seeking to identify companies with risky options patterns. CFRA looked at 100 companies
21 that issued a high proportion of options relative to their total executive compensation. It then
22 identified those that, on three or more occasions, granted options at exercise prices that matched,
23 or were close to, lows of the company stock price between 1997 and 2002, followed by a bounce
24 of at least 10% in share price.

1 49. At or about that same time, J.P. Morgan analyst, Ehud Gelblum, issued a report
2 reviewing option grants to executives at seventeen companies (including Juniper) dating back to
3 1998. With respect to Juniper, Mr. Gelblum concluded that there existed a suspicious pattern of
4 grants at the stock's low price for a given month.

5 50. On the heels of the CFRA report and the J.P. Morgan analysis, the Company
6 announced on May 22, 2006 that it had received a request for information from the U.S.
7 Attorney for the Eastern District of New York relating to its granting of stock options. At that
8 same time, the Company also indicated that its Audit Committee was reviewing practices in the
9 area. Federal investigators likely are focusing on the stock option grants identified below which,
10 when considered as a whole, reveal a pattern consistent with backdating.
11

12 51. The Company's definitive proxy statement dated April 13, 2000 indicated that the
13 following stock options had been made to named executives during Juniper's fiscal year ended
14 December 31, 1999:
15

16 a. Defendant Kriens received 900,000 options at an exercise price of \$60.71
17 on October 4, 1999;

18 b. Defendant Sindhu received 540,000 options at an exercise price of \$60.71
19 on October 4, 1999;

20 c. Defendant Gani received 240,000 options at an exercise price of \$60.71 on
21 October 4, 1999;

22 d. Steven Haley received 315,000 options at an exercise price of \$60.71 on
23 October 4, 1999; and
24

25 e. Peter Wexler received 240,000 options at an exercise price of \$60.71 on
26 October 4, 1999.
27
28

1 52. Remarkably, the lowest closing price of the Company's stock during the calendar
2 month of October 1999 occurred on October 4, 1999 (the day of the grant in question). Even
3 more remarkably, the value of the Company's stock jumped considerably during the days
4 following the stock option grant of October 4, 1999. By the close of trading on October 25, 1999
5 (three weeks after the option grant in question), Juniper's stock stood at \$81.33 (adjusted for a
6 subsequent split), a 33.96% jump in one week. By the close of trading on October 25, 1999,
7 Juniper's stock stood at \$85.75 (adjusted for a subsequent split), a 41.24% increase over its
8 October 4, 1999 close. The Company's stock ended trading in October 1999 at \$91.88 (again
9 adjusted for a subsequent split).
10

11 53. A similar pattern is seen with respect to options granted to senior management
12 personnel in late 2000, and again in early July 2002. According to the Company's definitive
13 proxy statement dated March 28, 2001, the Company granted stock options to named executives
14 as follows:
15

16 a. Defendant Kriens received 400,000 options at an exercise price of
17 \$93.9375 on December 21, 2000;

18 b. Defendant Sindhu received 540,000 options at an exercise price of
19 \$93.9375 on December 21, 2000;

20 c. Defendant Gani received 100,000 options at an exercise price of 93.0375
21 on December 21, 2000;

22 d. Steven Haley received 100,000 options at an exercise price of \$93.9375 on
23 October 4, 1999; and
24

25 e. Peter Wexler received 100,000 options at an exercise price of \$93.9375 on
26 October 4, 1999;
27
28

1 54. The lowest closing price of the Company's stock during the calendar month of
2 December 2000 occurred on December 21, 2000 (the day of the grant in question). Indeed, on
3 December 1, 2000, the Company's shares stood at \$131.88. By the close of trading on
4 December 28, 2000 (one week after the option grant in question), Juniper stock stood at \$138.63,
5 an increase of 40.39%).
6

7 55. According to the Company's definitive proxy statement dated March 28, 2003:

8 a. Defendant Kriens received 550,000 options at an exercise price of \$5.69
9 on July 1, 2002;

10 b. Defendant Sindhu received 300,000 options at an exercise price of \$5.69
11 on July 1, 2002;

12 c. Defendant Gani received 500,000 options at an exercise price of \$5.69 on
13 July 1, 2002; and
14

15 d. Lloyd Carney received 500,000 options at an exercise price of \$5.69 on
16 July 1, 2002.

17 56. The lowest closing price of the Company's stock during the calendar month of
18 July 2002 occurred on July 1, 2002 (the day of the grant in question). By the close of trading on
19 July 8, 2002 (one week after the option grant in question), Juniper stock stood at \$7.25, an
20 increase of 27.4%. Within two weeks of the date of the grant, the Company's shares stood at
21 \$8.05 per share. Indeed, by the close of trading on July 31, 2002, Juniper's shares were trading
22 at \$8.00 per share, an increase of 40.59% over where they stood at the beginning of that calendar
23 month.
24

25 57. The reason for the foregoing pattern is clear -- the Defendants engaged in the
26 practice of backdating options (they chose an option grant date in the past with a lower stock
27 price in order inflate substantially the value of those options in the hands of the recipients). The
28

1 Defendants' fraudulent conduct in this regard already has subjected Juniper to significant
2 expense; and potentially will subject the Company to substantial regulatory fines, penalties and
3 other damages and costs, in that, among other things:

4 a. Options priced at below a stock's fair market value when they are awarded
5 resulted in Juniper's executives receiving an instant paper gain. Under then applicable
6 accounting rules, that "paper gain" was the equivalent of additional compensation to the
7 executive that had to be treated as a cost to the Company. Since it appears that Juniper did not
8 treat as an expense the amount by which the market price of the Company's stock on the actual
9 date the options were issued exceeded the exercise price of the options, the Company overstated
10 its reported profits, and, as such, *might need to restate past financial results*. Indeed, the U.S.
11 Attorney's Office for the Eastern District of New York already is investigating the Company's
12 stock option grant practices and no fewer than three (3) derivative complaints are pending
13 against the Company's senior management team pertaining to this issue. Moreover, at present,
14 the Company's Audit Committee also is investigating Juniper's historical stock option grants;

15 b. Section 162(m) provides that compensation in excess of \$1 million per
16 year (including gains on stock options) paid to a corporation's five most highly-compensated
17 officers is tax deductible *only* if certain conditions are met. One of those conditions is that the
18 compensation must be payable solely on account of the attainment of one or more performance
19 goals. Options backdated to a day with a lower market price do not qualify for a Section 162(m)
20 deduction (since such grants are not deemed performance-based compensation). As such,
21 companies like Juniper with backdated options now face the prospect of paying out significant
22 sums to revise prior years' tax returns; and

23 c. The backdating of stock options may negatively affect Juniper's credit
24 rating on a going-forward basis. A recent report issued by Moody's Investor Services
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1 (“Moody’s”) sets forth several credit risks associated with backdating, including financial and
2 reputation risk. According to Jeffrey Benner, a Moody’s analyst and one of the report’s authors,
3 backdating inquiries could raise ratings questions about a company’s leadership, reputation,
4 governance practices, and financial performance. For instance, the report points out those
5 investigations into backdating already have led to leadership shakeups, as senior managers at
6 several companies under investigation departed abruptly. In addition, the report explains that
7 any wrongdoing the investigations uncover could soil a company’s reputation enough to affect a
8 company’s standing with customers, employees, and investors. Indeed, on May 22, 2006,
9 Standard & Poor’s Rating Services placed its ratings on Juniper on CreditWatch with negative
10 implications, citing the probe related to the Company’s stock option grants.
11

12 **VII. FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD**

13 58. As detailed herein, during the Class Period, Defendants issued or caused to be
14 issued materially false and misleading statements that deceived the investing public as to the
15 Company’s financial performance and condition.
16

17 59. Many of the Company’s false and misleading statements during the Class Period
18 below were made in Form 10-K’s and Form 10-Q’s that were certified by Defendant Kriens and
19 Defendant Gani in accordance with the Sarbanes-Oxley Act of 2002. By certifying those public
20 filings, Defendants Kriens and Gani represented, *inter alia*, that the quality and accuracy of the
21 information contained therein concerning the Company’s financial performance and condition
22 was safeguarded by internal financial controls in place at the Company, which were designed to
23 foster the development of reliable financial statements.
24

25 **A. Form 10-Q for the Quarterly Period Ending September 30, 2003**

26 60. On or about November 14, 2003, Juniper filed with the SEC a Form 10-Q for the
27 quarterly period ending September 30, 2003. Defendant Gani signed this Form 10-Q. Pursuant
28 to the Sarbanes-Oxley Act of 2002, this Form 10-Q also included certifications signed by

1 Defendants Kriens and Gani. In that public filing, the Company reported net income of \$7.205
2 million for the three month period ending September 30, 2003 (as compared to a net loss of
3 \$88.33 million for the three months ending September 30, 2002). The Company further reported
4 net income of \$24.466 million for the nine month period ending September 30, 2003 (as
5 compared to a net loss of \$128.102 million for the nine month period ending September 30,
6 2002). Juniper further stated that it had recorded tax provisions of \$7.7 million and
7 \$14.3 million for the three and nine months ended September 30, 2003, or effective tax rates of
8 52% and 37%, respectively.
9

10 61. In addition, Juniper noted that its stock option plans were accounted for under the
11 intrinsic value recognition and measurement principles of APB No. 25 (and related
12 interpretations). The Company indicated that since the exercise price of all options granted
13 under these plans was equal to the market price of the underlying common stock on the grant
14 date, no stock-based employee compensation cost, other than acquisition-related compensation,
15 was recognized in net income.
16

17 62. With respect to the issue of internal controls, the Company indicated that it had
18 "carried out an evaluation, under the supervision and with the participation of our management,
19 including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the
20 design and operation of our disclosure controls and procedures as of the end of the period
21 covered by this report." Juniper added that "[b]ased upon that evaluation, the Chief Executive
22 Officer and Chief Financial Officer concluded that our disclosure controls and procedures are
23 effective in timely alerting them to material information relating to the Company (including its
24 consolidated subsidiaries) required to be included in our Exchange Act filings."
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1 **B. Form 10-K for Fiscal Year 2003**

2 63. On or about February 20, 2004, Juniper filed with the SEC a Form 10-K for Fiscal
3 Year 2003 (ending December 31, 2003). Defendants Kriens, Gani, Sindhu, Hearst, Sclavos, and
4 Stensrud signed Juniper's Form 10-K for Fiscal Year 2003. Pursuant to the Sarbanes-Oxley Act
5 of 2002, this Form 10-K also included certifications signed by Defendants Kriens and Gani. In
6 that public filing, Juniper stated that its net income for 2003 was \$39.199 million, compared to a
7 net loss in 2002 of \$119.56 million (the Company added that it had a net loss of \$13.41 million
8 in 2001; net income of \$147.91 million in 2000; and a net loss of \$9.034 million in 1999). The
9 Company further indicated that provision for income taxes increased to \$19.8 million in 2003
10 from \$4.5 million in 2002. According to the Company, the 2003 effective rate was 33.6%. The
11 Company added that provision for income taxes had decreased to \$4.5 million in 2002 from
12 \$30.0 million in 2001, and that the effective tax rates for 2002 and 2001 were -3.9% and 181%,
13 respectively.
14

15
16 64. The Company again noted that its stock option plans were accounted for under the
17 intrinsic value recognition and measurement principles of APB No. 25 and related
18 interpretations. According to the Company, since the exercise price of all options granted under
19 these plans was equal to the market price of the underlying common stock on the grant date, no
20 stock-based employee compensation cost, other than acquisition-related compensation cost, was
21 recognized in net income.
22

23 65. Juniper also added that under the Company's Amended and Restated 1996 Stock
24 Option Plan (the "1996 Plan"), incentive stock options were granted at an exercise price of not
25 less than the fair value per share of the common stock on the date of grant; and that while
26 nonstatutory stock options may be granted at an exercise price of not less than 85% of the fair
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1 value per share on the date of grant; no nonstatutory stock options had been granted for less than
2 fair market value on the date of grant.

3 66. Juniper further noted that in July 2000, its Board of Directors had adopted the
4 Juniper Networks 2000 Nonstatutory Stock Option Plan (the "2000 Plan"). The Company
5 indicated that the 2000 Plan provided for the granting of nonstatutory stock options to
6 employees, directors and consultants; and that while nonstatutory stock options could be granted
7 at an exercise price of not less than 85% of the fair value per share on the date of grant, no
8 nonstatutory stock options had been granted for less than fair market value on the date of grant.
9

10 67. With respect to the issue of internal controls, Juniper stated that: "[w]e carried out
11 an evaluation, under the supervision and with the participation of our management, including the
12 Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and
13 operation of our disclosure controls and procedures as of the end of the period covered this
14 report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer
15 concluded that our disclosure controls and procedures are effective in timely alerting them to
16 material information relating to the Company (including its consolidated subsidiaries) required to
17 be included in our Exchange Act filings."
18

19 **C. Form 10-K for Fiscal Year 2004**

20 68. On or about March 4, 2005, Juniper filed with the SEC a Form 10-K for Fiscal
21 Year 2003 (ending December 31, 2003). Defendants Kriens, Sindhu, Sclavos, and Stensrud
22 signed Juniper's Form 10-K for Fiscal Year 2004. Pursuant to the Sarbanes-Oxley Act of 2002,
23 this Form 10-K also included certifications signed by Defendant Kriens. In that public filing,
24 Juniper reported 2004 net income of \$135.746 million; compared to \$39.199 million in 2003 (the
25 Company further indicated that it had a net loss in 2002 of \$119.65 million; a net loss in 2001 of
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1 \$13.41 million; and net income of \$147.91 million in 2000). The Company added that provision
2 for income taxes increased to \$83.3 million in 2004 from \$19.8 million in 2003.

3 69. The Company again reported that its stock option plans were accounted for under
4 the intrinsic value recognition and measurement principles of APB No. 25 and related
5 interpretations. In this regard, Juniper indicated that since the exercise price of all options
6 granted under these plans was equal to the market price of the underlying common stock on the
7 grant date, no stock-based employee compensation cost, other than acquisition-related
8 compensation cost, was recognized in net income. With regard to its stock option plans, Juniper
9 again noted that under the 1996 Plan, incentive stock options were granted at an exercise price of
10 not less than the fair value per share of the common stock on the date of grant; and that while
11 nonstatutory stock options could be granted at an exercise price of not less than 85% of the fair
12 value per share on the date of grant, no nonstatutory stock options had been granted for less than
13 fair market value on the date of grant. With respect to the 1996 Plan, Juniper again stated that
14 while nonstatutory stock options may be granted at an exercise price of not less than 85% of the
15 fair value per share on the date of grant, no nonstatutory stock options had been granted for less
16 than fair market value on the date of grant.

17 70. With respect to the issue of internal controls, the Company stated that it had
18 assessed the effectiveness of Juniper's internal control over financial reporting as of December
19 31, 2004 and that it had concluded that "as of December 31, 2004, Juniper Networks Inc.'s
20 internal control over financial reporting is effective."

21 **D. Form 10-K for Fiscal Year 2005**

22 71. On or about March 7, 2006, Juniper filed with the SEC a Form 10-K for Fiscal
23 Year 2003 (ending December 31, 2003). Defendants Kriens, Sindhu, Hearst, Slavos, and
24 Stensrud signed Juniper's Form 10-K for Fiscal Year 2004. Pursuant to the Sarbanes-Oxley Act
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1 of 2002, this Form 10-K also included certifications signed by Defendant Kriens. In that public
2 filing, Juniper stated, among other matters, that its 2005 net income was \$354 million; compared
3 to 2004 net income of \$135.7 million; and 2003 net income of \$39.2 (the Company further
4 indicated that it had a net loss in 2002 of \$119.7 million; and a net loss in 2001 of \$13.4 million).
5 The Company added that provision for income taxes increased to \$83.3 million in 2004 from
6 \$19.8 million in 2003. The Company further noted that provision for income taxes increased to
7 \$148.2 million in 2005 from \$83.3 million in 2004 (and that provision for income taxes
8 increased to \$83.3 million in 2004 from \$19.8 million in 2003).

10 72. The Company added that the Company's stock option plans were accounted for
11 under the intrinsic value recognition and measurement principles of APB No. 25 and related
12 interpretations. The Company added that since the exercise price of all options granted under
13 these plans was equal to the market price of the underlying common stock on the grant date, no
14 stock-based employee compensation cost, other than acquisition-related compensation cost, was
15 recognized in net income. In addition, the Company again noted that under the 1996 Plan,
16 incentive stock options were granted at an exercise price of not less than the fair value per share
17 of the common stock on the date of grant; and that while nonstatutory stock options may be
18 granted at an exercise price of not less than 85% of the fair value per share on the date of grant,
19 no nonstatutory stock options had been granted for less than fair market value on the date of
20 grant. Finally, Juniper stated that under the 2000 Plan, non-statutory stock options may be
21 granted at an exercise price of not less than 85% of the fair value per share on the date of grant;
22 but that no non-statutory stock options had been granted for less than fair market value on the
23 date of grant.

26 73. With respect to the issue of internal controls, the Company stated that it had
27 assessed the effectiveness of Juniper's internal control over financial reporting as of December
28

1 31, 2005 and that it had concluded that “as of December 31, 2005, Juniper Networks Inc.’s
2 internal control over financial reporting is effective.”

3 74. Defendants’ statements concerning Juniper’s financial performance and condition
4 as set forth above were each false and misleading when made because they misrepresented or
5 omitted the following material adverse facts that the Defendants knew at the time the statements
6 were made:

7
8 a. That stock options to Juniper employees were not always issued at the fair
9 market value of the Company’s stock on the date of the grant since the Defendants repeatedly
10 manipulated option grant dates to coincide with particularly low share prices (so as to benefit
11 option recipients);

12 b. That the Company had not consistently followed the dictates in APB No.
13 25 in that (i) options priced at below a stock’s fair market value when they are awarded results in
14 an executive receiving an instant paper gain; and (ii) Juniper did not treat that “paper gain” as a
15 cost to the corporation in its financial statements (thus inflating the Company’s net earnings);

16 c. That the Company understated its income tax liability since options
17 backdated to a day with a lower market price do not qualify for a Section 162(m) deduction
18 (since such grants are not deemed performance-based compensation);

19 d. That Company insiders (including defendants Kriens, Sindhu and Gani)
20 received backdated options and thus took excess and unjustified compensation at the expense of
21 the investing public;

22 e. That significant accounting errors existed in the Company’s historic
23 financial statements;

24 f. That the Company had failing and deficient internal controls and
25 procedures and lacked any meaningful ability to accurately report its financial results; and
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1 g. That the Company's illicit scheme vis-à-vis backdating stock option grant
2 dates potentially subjected Juniper to substantial regulatory fines, penalties and other legal
3 action, thereby compromising the Company's overall financial condition and prospects.

4 **VIII. THE TRUTH IS FINALLY REVEALED**

5 75. As noted above, a May 2006 study of 100 companies by the CFRA said that
6 Juniper was among 17 companies in that group which showed a "high-risk profile" for possible
7 back-dating of options. In addition, at or about that same time, a J.P. Morgan analyst who had
8 reviewed option grants to executives at seventeen companies dating back to 1998 concluded,
9 with respect to Juniper, that there existed a suspicious pattern of grants at the stock's low price
10 for a given month. The announcement of these findings had an immediate impact on the
11 Company's stock price. Juniper's stock, which had closed the month of April 2006 at \$18.48 per
12 share stood at only \$16.10 per share by the close of trading on May 18, 2006.

13 76. Prior to the opening of trading on May 22, 2006, the Company issued a press
14 release in which it announced that the Company had received a request for information from the
15 office of the United States Attorney for the Eastern District of New York relating to the
16 Company's granting of stock options. Juniper indicated that (i) it was actively engaged in
17 responding to this request for information; and (ii) its Audit Committee was reviewing the
18 Company's historical stock option granting practices. On the release of this news, Juniper shares
19 dropped to a 52-week low of \$14.62 during morning trading on May 22, 2006.

20 **IX. INAPPLICABILITY OF SAFE HARBOR**

21 77. As alleged herein, the Defendants acted with scienter in that they knew, at the
22 time that they issued them, that the public documents and statements issued or disseminated in
23 the name of Juniper were materially false and misleading or omitted material facts; knew that
24 such statements or documents would be issued or disseminated to the investing public; knew that
25 persons were likely to reasonably rely on those misrepresentations and omissions; and knowingly
26

1 and substantially participated or were involved in the issuance or dissemination of such
2 statements or documents as primary violations of the federal securities law. As set forth
3 elsewhere herein, the Defendants, by virtue of their (i) receipt of information reflecting the true
4 facts regarding Juniper, (ii) control over, and/or receipt of Juniper's allegedly materially
5 misleading misstatements, and (iii) access to confidential proprietary information concerning
6 Juniper were informed of, participated in and knew of the fraudulent scheme alleged herein.
7 With respect to non-forward-looking statements and/or omissions, Defendants knew and/or
8 recklessly disregarded the falsity and misleading nature of the information which they caused to
9 be disseminated to the investing public.
10

11 78. Defendants' false and misleading statements and omissions do not constitute
12 forward-looking statements protected by any statutory safe harbor. The statements alleged to be
13 false and misleading herein all relate to facts and conditions existing at the time the statements
14 were made. No statutory safe harbor applies to any of the Defendants' material false or
15 misleading statements.
16

17 79. Alternatively, to the extent that any statutory safe harbor is intended to apply to
18 any forward-looking statement pled herein, the Defendants are liable for the false forward-
19 looking statement pled because, at the time each forward-looking statement was made, the
20 speaker knew or had actual knowledge that the forward-looking statement was materially false or
21 misleading, and the forward-looking statement was authorized and/or approved by a director
22 and/or executive officer of Juniper who knew that the forward-looking statement was false or
23 misleading. None of the historic or present tense statements made by the Defendants was an
24 assumption underlying or relating to any plan, projection or statement of future economic
25 performance, as they were not stated to be such an assumption underlying or relating to any
26 projection or statement of future economic performance when made nor were any of the
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1 projections or forecasts made by the Defendants expressly related to or stated to be dependent on
2 those historic or present tense statements when made.

3 **X. ADDITIONAL SCIENTER ALLEGATIONS**

4 80. As alleged herein, the Defendants acted with scienter in that, *inter alia*, the
5 Defendants knew or acted with recklessness with respect to the fact that the public documents
6 and statements issued or disseminated in the name of Juniper were materially false and
7 misleading; knew that such statements or documents would be issued or disseminated to the
8 investing public; and knowingly and substantially participated or acquiesced in the issuance or
9 dissemination of such statements or documents as primary violations of the federal securities
10 laws. As set forth elsewhere herein, the Individual Defendants, by virtue of their receipt of
11 information reflecting the true facts regarding Juniper, their control over and/or receipt and/or
12 modification of the allegedly materially misleading misstatements and omissions described
13 herein, which made them privy to confidential proprietary information concerning Juniper,
14 directly and substantially participated in the fraudulent scheme alleged herein.
15

16
17 81. Moreover, the ongoing fraudulent scheme described in this Complaint could not
18 have been perpetrated over a substantial period of time, as has occurred, without the knowledge
19 of individuals at the highest levels of the Company, including the Individual Defendants.
20

21 **XI. APPLICABILITY OF PRESUMPTION OF RELIANCE: THE FRAUD-ON-THE-MARKET DOCTRINE**

22 82. The market for Juniper's securities was open, well-developed and efficient at all
23 relevant times for the following reasons (among others):

24 a. The Company's shares met the requirements for listing, and were listed
25 and actively traded on NASDAQ;

26
27 b. As a regulated issuer, Juniper filed periodic public reports with the SEC;
28

1 c. Juniper regularly communicated with public investors via established
2 market communication mechanisms, including through regular disseminations of press releases
3 on the national circuits of major newswire services and through other wide-ranging public
4 disclosures, such as communications with the financial press and other similar reporting services;

5 d. The market reacted to public information disseminated by Juniper;

6 e. Juniper was followed by numerous material securities analysts employed
7 by major brokerage firms who wrote reports which were distributed to the sales force and certain
8 customers of their respective brokerage firms. Each of these reports was publicly available and
9 entered the public marketplace;
10

11 f. The material misrepresentations and omissions alleged herein would tend
12 to induce a reasonable investor to misjudge the value of Juniper securities; and

13 g. Without knowledge of the misrepresented or omitted material facts,
14 Plaintiff and the other members of the Class purchased or otherwise acquired Juniper securities
15 between the time Defendants made the material misrepresentations and omissions and the time
16 the fraudulent backdating was being disclosed, during which time the price of Juniper securities
17 was inflated by Defendants' misrepresentations and omissions.
18

19 83. As a result of the foregoing, the market for Juniper's securities promptly digested
20 current information regarding Juniper from all publicly available sources and reflected such
21 information in Juniper's securities prices. Under these circumstances, all purchasers and
22 acquirers of Juniper's securities during the Class Period suffered similar injury through their
23 purchase or acquisition of Juniper's securities at artificially inflated prices and a presumption of
24 reliance apply.
25

26 **XII. LOSS CAUSATION**
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1 84. Throughout the Class Period, the prices of the Company's securities were
2 artificially inflated as a direct result of Defendants' fraudulent misrepresentations regarding the
3 Company's financial condition and results.

4 85. The Company's financial condition and results, including Juniper's fraudulent
5 practices vis-à-vis backdated stock option grants, were material information to Plaintiff and the
6 other members of the Class. Had the truth been disclosed to the market at or before the end of
7 the Class Period, Plaintiff and the other Class members would not have purchased Juniper stock
8 at all, or would have done so only at substantially lower prices than the artificially inflated prices
9 which they actually paid.
10

11 86. When the truth about the Company was revealed, the inflation that had been
12 caused by Defendants' misrepresentations and omissions was swiftly eliminated from the price
13 of the Company's securities, causing significant losses to Plaintiff and the other Class members.
14 The disclosures of third-party reports into the suspicious stock option grant practices of the
15 Company, as well as the May 22, 2006 disclosure of the U.S. Attorneys' investigation of
16 Juniper's stock option grant process, led to a flurry of trading in which Juniper's stock price
17 plunged from its \$18.48 close on April 28, 2006, to an opening price of \$14.62 on May 22, 2006
18 (this represented a loss of market capitalization of over \$1.34 billion).
19

20 87. The decline in the Company's securities price following the revelations of the
21 Company's fraudulent practices, and the resulting losses suffered by Plaintiff and the other
22 members of the Class, are directly attributable to the market's reaction to the disclosure of
23 information that had previously been misrepresented or concealed by Defendants, and to the
24 market's adjustment of the Company's securities price to reflect the newly emerging truth about
25 the Company's financial condition.
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88. Defendants' fraudulent conduct, as alleged herein, proximately caused foreseeable losses to Plaintiff and the other members of the Class.

XIII. CAUSES OF ACTION

COUNT I

**Violation of Section 10(b) of The Exchange Act
And Rule 10b-5 Promulgated Thereunder**

(Against all Defendants)

89. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

90. This Count is asserted by Plaintiff on behalf of itself and the Class against all the Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5, promulgated thereunder.

91. During the Class Period, the Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Juniper's securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Juniper's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the Defendants, and each of them, took the actions set forth herein.

92. The Defendants: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading by use of means or instrumentalities of interstate commerce; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers and acquirers of the Company's securities in an effort to maintain artificially

1 high market prices for Juniper's securities in violation of Section 10(b) of the Exchange Act and
2 Rule 10b-5.

3 93. As a result of their making and/or their substantial participation in the creation of
4 affirmative statements and reports to the investing public, the Defendants had a duty to promptly
5 disseminate truthful information that would be material to investors in compliance with the
6 integrated disclosure provisions of the SEC as embodied in SEC Regulation S-K (17 C.F.R.
7 §229.10, *et seq.*) and other SEC regulations, including accurate and truthful information with
8 respect to the Company's operations and performance so that the market prices of the
9 Company's publicly traded securities would be based on truthful, complete and accurate
10 information. The Defendants' material misrepresentations and omissions as set forth herein
11 violated that duty.
12

13 94. The Defendants engaged in the fraudulent activity described above knowingly and
14 intentionally or in such a reckless manner as to constitute willful deceit and fraud upon Plaintiff
15 and the Class. The Defendants knowingly caused their reports and statements to contain
16 misstatements and omissions of material fact as alleged herein.
17

18 95. As a result of the Defendants' fraudulent activity, the market price of Juniper was
19 artificially inflated during the Class Period.
20

21 96. In ignorance of the true financial condition of Juniper, Plaintiff and other
22 members of the Class, relying on the integrity of the market and/or on the statements and reports
23 of Juniper containing the misleading information, purchased or otherwise acquired Juniper
24 securities at artificially inflated prices during the Class Period.

25 97. The market price of Juniper's securities declined materially upon the public
26 disclosure of the true facts which had been misrepresented or concealed as alleged herein.
27
28

1 98. Plaintiff's (and the Class') losses were proximately caused by Defendants' active
2 and primary participation in Juniper's scheme to defraud the investing public by, among other
3 things, falsifying the Company's financial results through the knowing or reckless failure to
4 properly apply GAAP. Plaintiff (and the members of the Class) purchased Juniper securities in
5 reliance on the integrity of the market price of those securities, and Defendants manipulated the
6 price of Juniper securities through their misconduct as described herein. Furthermore,
7 Defendants' misconduct proximately caused Plaintiff's (and the Class') losses. Plaintiff's (and
8 the Class') losses were a direct and foreseeable consequence of Defendants' failure to disclose
9 and their concealment of, *inter alia*, the true state of the business operations and financial
10 condition of Juniper.
11

12 99. Throughout the Class Period, Defendants were aware of material non-public
13 information concerning Juniper's fraudulent conduct (including the false and misleading
14 accounting statements). Throughout the Class Period, Defendants willfully and knowingly
15 concealed this adverse information regarding Juniper's falsified revenue figures, and Plaintiff's
16 (and the Class') losses were the foreseeable consequence of Defendants' concealment of this
17 information.
18

19 100. As a direct and proximate cause of the Defendants' wrongful conduct, Plaintiff
20 and other members of the Class suffered damages in connection with their respective purchases
21 and sales of Juniper securities during the Class Period.
22

23 **COUNT II**

24 **Violation of Section 20(a) of the Exchange Act**

25 **(Against the Individual Defendants)**

26 101. Plaintiff repeats and realleges each and every allegation contained above as if
27 fully set forth herein.
28

102. As alleged herein, the Individual Defendants acted as controlling persons of Juniper within the meaning of Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a). By virtue of their executive positions, and/or Board membership, as alleged above, these individuals had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's internal reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

103. In particular, the Individual Defendants had direct involvement in the day-to-day operations of the Company and therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

104. As set forth above, the Individual Defendants and Juniper committed a primary violation of Section 10(b) and Rule 10b-5 of the Exchange Act by the acts and omissions alleged in this Complaint. By virtue of their positions as controlling persons of Juniper, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchase or acquisition of Juniper securities during the Class Period.

XIV. PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action;

B. Awarding compensatory damages in favor of Plaintiff and the other class members against all Defendants, jointly and severally, for all damages sustained as a result of the Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such other and further relief as the Court may deem just and proper.

XV. JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury on all claims set forth herein.

Dated: July 28, 2006

ALEXANDER, HAWES & AUDET, LLP

By: /s/
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Counsel for Plaintiff and the Proposed Class

**CERTIFICATION
PURSUANT TO FEDERAL SECURITIES LAWS**

Robert L. Garber ("Plaintiff") declares, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the class action complaint and authorizes its filing and is willing to serve as a lead or named plaintiff in the action on the basis of the allegations in that complaint or a substantively similar or related complaint or amended complaint to be filed.

2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff's transactions in Juniper Networks (JNPR) that are the subject of this action are as follows:

See Attached Schedule

5. During the three years prior to the date of this Certification, Plaintiff has sought to serve or served as a representative party for a class in a case under the federal securities laws, as follows: In re Vodafone Group PLC Securities Litigation 02 Civ. 7592 USDC So. Dist. NY; Garber v. Pharmacia Corp USDC NJ 03-CV-1519; In re Federal Home Loan Mortgage Corp. Securities & Derivative Litigation (No. II) 1:04-md-01584-JES USDC So. Dist. NY; In re Fannie Mae Securities Litigation No. 04-01639 USDC Dist. of Columbia; Robert L. Garber v. RenaissanceRe Holdings Ltd. No. 05-7232 USDC So. NY; In Re Boston Scientific Corporation Securities Litigation No. 05-11934 USDC Dist. of Mass.; Robert L. Garber v. KLA-Tensor Corp

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 21st day of June, 2006.


Robert L. Garber

**ROBERT L. GARBER
SCHEDULE OF TRANSACTIONS FOR
JUNIPER NETWORKS, INC. (JNPR)**

Account # 037-20834, ROBERT L. GARBER MPP

<i>Date</i>	<i>Transaction Type</i>	<i>Shares</i>	<i>Price</i>
Feb 20, 2004	Bought	30	\$25.50200
Oct 12, 2004	Bought	75	\$24.36180

Account # 037-43692, R. GARBER C/F BENJAMIN JAMES GARBER UTMA-PA

<i>Date</i>	<i>Transaction Type</i>	<i>Shares</i>	<i>Price</i>
Feb 20, 2004	Bought	15	\$25.50200
Oct 12, 2004	Bought	20	\$24.36180
Sep 14, 2005	Bought	20	\$23.70420
Jan 03, 2006	Sold	55	\$21.03000

**Account # 037-32481, ROBERT L. GARBER AND JEANNETTE FISHER-GARBER,
JTWROS**

<i>Date</i>	<i>Transaction Type</i>	<i>Shares</i>	<i>Price</i>
Feb 20, 2004	Bought	100	\$25.50200
Nov 11, 2004	Bought	140	\$27.27360

PROOF OF SERVICE**STATE OF CALIFORNIA, COUNTY OF SANTA CLARA**

I am employed in the County of Santa Clara, State of California; my business address is 152 North Third Street, Suite 600, San Jose, California 95112; I am over the age of 18 and not a party to the within action. On this date I served the following document(s):

[CORRECTED] CLASS ACTION COMPLAINT

on the parties shown below:

Robert L. Green
Green Welly
595 Market Street, Suite 2750
San Francisco, CA 94105

Juniper Networks, Inc.
1194 North Matilda Avenue
Sunnyvale, California 94089

Joni Ostler
Wilson Sonsini Goodrich & Rosati
2795 East Cottonwood Parkway,
Suite 300
Salt Lake City, UT 84121-6928

Mark C. Gardy
James S. Notis
GARDY & NOTIS, LLP
440 Sylvan Avenue, Suite 110
Englewood Cliffs, New Jersey
07632

Alfred G. Yates, Jr.
LAW OFFICES OF ALFRED G.
YATES, JR.
519 Allegheny Building
429 Forbes Avenue
Pittsburgh, Pennsylvania 15219-1649

☐ (BY FAX) I am readily familiar with the firm's practice of facsimile transmission; on this date the above-referenced documents were transmitted, the transmission was reported as complete and without error and the report was properly issued.

☒ (BY MAIL) I am readily familiar with the firm's practice for the processing of mail; on this date, the above-referenced documents were placed for collection and delivery by the U.S. Postal Service following ordinary business practices.

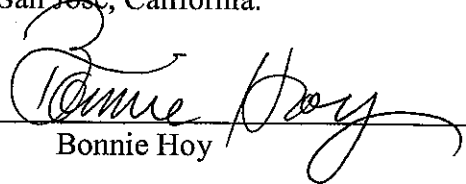
☒ (BY ELECTRONIC FILING) On this date I provided the documents(s) listed above electronically through the Court's electronic filing service provider pursuant to the instructions on that website.

☐ (BY E-MAIL) On this date, the above-referenced documents were converted to electronic files and e-mailed to the addresses shown.

☐ (BY PERSONAL SERVICE) I caused the above documents to be delivered by hand pursuant to CCP § 1011.

1 I declare that I am employed in the office of a member of the bar of this court at whose
2 direction the service was made.

3 Executed on this 28th day of July at San Jose, California.

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5 _____
6 Bonnie Hoy
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